

EU's role in the involvement of the Russia-West conflict and outbreak of war in Ukraine

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Abstract

In this paper I make three arguments. First, and most importantly, the EU plays an active role in various global processes that have co-created the conditions for a new Russia-West conflict and the war in Ukraine; the two are closely related. More specifically, EU's policies in Eastern Europe and elsewhere, involving the promotion of free markets, austerity and various neoliberal measures, tend to aggravate social conflicts. I explain how the relevant mechanisms work and how their effects tend to reinforce each other involving positive feedback loops and cumulative causation. My second argument concerns sanctions on Russia. We know that sanctions can be instrumentally successful only under specific circumstances. Moreover, sanctions against a major country such as Russia can easily become part of the process of conflict escalation. Finally, I argue that overcoming false universalisms and double standards require new institutional frameworks of dialogue and cooperation, based on the principles of pluralistic world democracy. Accountability should stem from a global rule of law that does not allow double standards for the powerful.

Introduction

The project of European integration is not reducible to political economy in any simple sense, despite the original EEC focus on coal, steel and free trade. Functional cooperation has been a means to create a pluralistic European unity that can overcome those antagonisms that led to the catastrophes of the first half of the 20th century. But it is through political economy dynamics that this project has become intimately intertwined with the specific world-historical developments of the last four decades. Global political economy forms a complex, dynamic process in which actors and issues are tightly interwoven. Actors do participate in bringing about and steering global political economy processes in various ways. The European integration process is a big part of the world economy; and the EU is an important actor within it.

From the start, the EEC (\rightarrow EC \rightarrow EU) aimed at contributing to global economic liberalization. This process has been accompanied by enlargements in 1973, 1981, 1986, 1990, 1993, 1995, 2004, 2007 and 2013. Periods of deepening integration and

enlargement have followed each other (as was expected by Galtung 1973, 8-32), or at least they did so until the euro crisis and Brexit. By the time of the arrival of the euro in 2002, the European integration project had already achieved a single market within the EU and continued to foster further liberalization and globalization outside it.

The EU can be thought as an actor-in-process that follows its historically evolving inner dispositions and characters. These inner dispositions and characters generate the causal processes through which its forms and parts are determined. They also shape the world economy as a whole, partly through unintended consequences of actions, feeding effects back onto the EU. Functional cooperation in Europe during the Bretton Woods era was often economic and premised on liberal economics, but the period from the early 1970s to 1992, from the breakdown of the Bretton Woods system to the establishment of the Maastricht Treaty, was nonetheless important in re-structuring the inner codes of the EU, first and foremost toward neoliberalism,¹ but also toward European nationalism and elements of European polity.

The European Neighbourhood Policy (ENP) was preceded by various democracy and human rights promotion efforts and “technical” programmes such as TACIS (“Technical Assistance to the Commonwealth of Independent States”). The ENP itself was conceived in 2004 to manage the continuous expansion of the EU and imposition of its preferred policies. The idea is to foster transition to democratic market-oriented economies. The end of this kind of “transition” is set by the standard textbook models of neoclassical economics – in particular by the model of perfect competition, which forms the main neoclassical prototype of the economy² – and by the parallel normative views of Milton Friedman and Friedrich Hayek. The goal of the transition is also constituted, however, by concepts such as democracy, human rights, civil society, good governance, development, sustainability and resilience that, although deeply involved in the neoliberal discourse (being among the key concepts of neoliberalism, see Eagleton-Pierce 2016; Patomäki 1998; Patomäki & Pursiainen 1999; Chandler & Reid 2016), are more open to diverge interpretations and contestations than the basic model of the ideally competitive market economy.

¹ But only through complicated paths: for instance, the currency snake and the European Monetary System were in part developed as responses to the increasing instability of the re-emerging global finance. The idea was to create stability at least among the European currencies. Somewhat paradoxically, however, the principles of the EMU were then grounded in such orthodox theories as new classical macroeconomics and the rational expectations theory by Barro, Lucas, Sargent and Wallace, and others. Thus the EMU came to be grounded on a free-market utopia. Neoliberalism is a programme of resolving problems of, and developing, human society by means of competitive markets. For my discussion of the emergence of, as well as reasons for the contested nature, of the term, see Patomäki 2009, 432-6.

² In the 1970s, empirical studies discovered that we humans do not categorize things or reason in terms of necessary and sufficient conditions, but we lean primarily to prototypes, such as a chair table representing the category of furniture (Rosch 1983). Through repetitive education and practice, neoclassical economists learn to take the imaginary (cf. Robbins 1933) model of perfect as the prototype of the capitalist market economy, even though it has hardly anything to do with any concrete historical politico-economic institutions, mechanisms or processes.

Political and economic ideas and theories have real causal effects through economic policies and regulatory and institutional implications. EU's neighbourhood policy and peace strategy is premised on two hypotheses about the conditions of peace. The first says that *free trade and free markets foster peace* (the hypothesis of liberal or capitalist peace), and the second says that *democratic states do not fight each other* (the hypothesis of democratic peace). Neither hypotheses is new; we have plenty of geo-historical experience in terms of which they can be assessed.

In this paper, I first outline reasons for being sceptical about the general validity of these hypotheses. My critical discussion of the two hypotheses takes us to basic questions of economic theory and International Relations (IR), evoking alternative theories about economics and politics. On the basis of these alternative theories, I outline a constellation of politico-economic mechanisms that has been causally efficacious in instigating and aggravating conflicts (i) between Russia and the West (consisting of the EU and its member states, NATO, and the US) and (ii) within Ukraine, where these conflicts have resulted in actual violence and war. Second, the geopolitization of the universalising inner codes of Western neoliberalism, and Russia's involvement in the conflict in Eastern Ukraine – and especially the annexation of Crimea – provoked Western sanctions against Russia. I explore briefly the likely consequences of those sanctions. Finally, I show how the absence of adequate global institutions can also be a cause of what is happening.

Two liberal hypotheses about the conditions of peace

Hypothesis 1: Liberal-capitalist peace

Since Immanuel Kant's *Perpetual Peace*, the idea of harmony of interests in free markets has been taken as a generator or guarantee of, and thus strategy for, peace. Soon after Napoleon's wars, liberal reformers started to promote free trade as a pacifying force. In Britain, Richard Cobden advocated laissez faire and free trade as a means to international peace. The case for free trade had been put forcefully by David Ricardo in his *Principles of Political Economy and Taxation* (1821). Ricardo professed the benefits of free trade in terms of comparative advantage. International division of labour can be beneficial to all parties even when there is no absolute advantage, that is, capacity to produce a particular good at a lower absolute cost than another. Free trade is a universal good of the whole world.

The Ricardian trade theory was reformulated in terms of marginalist methodology as a general equilibrium mathematical model of international trade (Ohlin 1952/1933). The Heckscher-Ohlin model assumes identical production technologies and maintains that different proportions of factors of production (capital and labour) suffice for

comparative advantage. Within this framework, it can be admitted that trade may redistribute wealth and thereby harm particular interests. Under certain circumstances it may even harm general national interests to the extent that the sector, in which a country specialises, matters. On the whole, however, free trade is argued to be beneficial to all parties. The same applies, *mutatis mutandis*, to the so called new trade theory (already Adam Smith discussed an increasing returns to scale conception of international trade). The ‘new theory’ is usually represented as complementary to the Heckscher-Ohlin model and its derivatives. It suggests that governments might have a positive role to play in promoting new industries and supporting the growth of key industries, or in regulating monopolistic practices (Krugman 1979, 1980, 1981). These qualifications notwithstanding, overall the ‘new trade theory’ strongly favours free trade (although not necessarily of any new free trade agreement)³. The idea is that free trade enables markets to grow, increases product diversity, brings benefits from economies of scale, and causes real wages to increase.

If free trade results principally in a harmony of interests, does peace follow from free trade? A number of empirical studies have found some evidence for the liberal free trade thesis, yet overall the search for invariant connections (or simple and stable correlations, often amounting to reduction to monocausal explanations) has turned out difficult or outright futile – even when the assessment is conducted within standard neoclassical or related conceptual frameworks. Further distinctions and auxiliary hypotheses must be made to account for the lack of simple non-changing regularities. For instance, Gerald Schneider (2014) distinguishes between different cases of the freedom of commerce, internally and externally. Internally the distribution of income, and externally the nature of the traded goods, are among the factors that tend to shape the outcome. Moreover, in debates about the merits of the thesis of what is often called “capitalist peace”, many liberal scholars argue that ultimately what matters most for peace, on the basis of evidence, is democracy rather than trade (Dafoe, Oneal & Russett 2013; Ray 2013).

The crux of the matter is that, in the absence of closed systems in society, decisive tests between theories are hard to come by. This enables ideological positions to evolve easily and fortify themselves rapidly.⁴ Assessments and critical discussions

³ Krugman (2015) criticizes the recent “suspicious nonsense on trade agreements” less in terms of trade theory than on global Keynesian grounds. Those who assume the role of assessing officially the impact of new trade agreement routinely rely on Computable General Equilibrium models, thus presupposing the basic neoclassical prototype of “perfect competition”. See e.g. the on-going debate over the likely effects of TTIP (“Transatlantic Trade and Investment Partnership”): Pelkmans et.al. (2014); Capaldo (2014); Erixon & Bauer (2015); Capaldo (2015).

⁴ Because of the absence of decisive test situations, coupled with continuing one-sided allegiance to a mere predictive rather than explanatory and other criteria, the methodology on which one’s research relies gets mystified; entrenched or otherwise privileged theory is protected; alternatives are stunted; and/or there is an encouragement of (a belief in) the unresolvability of theoretical conflicts – which, in practice, means their resolution in favor of the status quo (Bhaskar 1979, 144). This explains quite nicely the current state of economics, IR and IPE. While positivist methodologies are mystified, especially in the US, post-positivist alternatives are allowed to co-exist even in the US, while in Europe they are dominant in places. Yet in effect, these “incommensurable” post-positivist islands tend to underpin the status quo.

about hypotheses become complex, interweaving philosophical assumptions, conceptual-theoretical frames, normative aspirations, historical understandings, and empirical studies of varying degree of generality. (See Patomäki 2016a). Empirical studies are more typically retrodictive (past-oriented and explanatory rather) than predictive. Our observations are theory-laden; what matters is how these interconnections are conceptualised and theorised. It is the task of the investigator to explicate interconnections and joint outcomes of a number of historically evolving practices, institutions and structures that are usually already known to exist, and that are causally efficacious in systems that are open to varying degree, in which simple procedures to test derived hypotheses or their underlying theories are absent (Arestis, Brown and Sawyer 2002). Criticism by empirical means is possible, but difficult; and “empirical” concerns also interpretations of macro-historical evidence.

The case for liberal or capitalist peace rests on Ricardian trade theory and its neoclassical extensions; as well as on the generic ‘efficient market’-hypothesis (Fama 1970) applied to markets in general. These theories and hypotheses come with specific unrealistic assumptions. Reality calls for reassessments. Friedrich List (1885/1841) argued that “invisible hand” was neither generalizable to all nations at the same time, nor did it describe accurately the actual practices of the leading state. Resonating with the ‘new theory of trade’, List maintained that only political communities with sufficiently large scale can survive and prosper. List stressed that the scale of production and paths of development matter. Private economic interests do not suffice for the long-term gradual building of the conditions of successful industrialization, or for constructing a beneficial comparative advantage in the international division of labour. An active protective state is needed. Moreover, economic success is closely related to the military power of a nation. For many, the 19th century rise of Germany and the US provided evidence for the Listian theory.

For his part, Karl Marx argued that inequalities, property, state-formations and organised violence have been always linked, although in different historical phases in different ways. “The existing bourgeois property relations are ‘maintained’ by the State power, which the bourgeoisie has organized for the protection of its property relations” (Marx 2008/1847, 80). From Marx’s critical political economy viewpoint, international security appear as an outward extension of the same principle. Hence the use of force can create the basis for the expansion of capitalism and world markets. The inner code of the system is expansionary and potentially violent. For many, the late 19th century turn to neo-imperialism and associated developments that led to the First World War constitute evidence for the validity of the Marxian theory. This debate continues. Whereas for liberals, societal harmony is possible only if private property and fair market competition are ensured by the state, for Marxians, private property is the ultimate reason for state violence. There is also the related reading of history by Karl Polanyi (2001/1944), according to which self-adjusting market economy requires that human beings and the natural environment be turned

into commodities, inviting detrimental consequences to both. Society's attempts to protect itself via the state can also assume militaristic forms and directions.

From the 19th century underconsumption theorists, via Kalecki and Keynes, to contemporary post-Keynesians and other heterodox economists, the most central point about capitalist market economy is that in it, underutilization of capacity is the norm (Khan & Patomäki 2010). In modern, complex and interdependent systems where the whole is more than the sum of its parts, this kind of underutilization results from the lack of overall efficient demand for goods and services. It is always possible for the states to try to export their economic problems to other states, or even expand their sources and markets by violent or imperial means, but attempts to do so tend to result in a fallacy of composition, often resulting in conflicts among states and other actors (Markwell 2006). Uncertainty about the future, inequalities, and endogenous money play an active role in open systems in which strict predictions are not possible, but some characteristic effects can nonetheless be (reflexively) anticipated. These include boom-and-bust cycles in finance (Kindleberger 2000; Minsky 2008) that may come with dramatic political consequences, such as those that followed the Great Depression and contributed to the coming of World War II (Moser 2016).

Hypothesis 2: Democratic peace

Many liberal scholars argue, on the basis of historical evidence, that what matters is democracy rather than trade (see Patomäki 2016b). When the Cold War came to an end in 1989, and the Soviet Union collapsed in 1991, the democratic theory of peace experienced a renaissance. Michael W. Doyle (1983a, b; 1986) became famous for restating the argument that liberal democratic states are different. "They are indeed peaceful" (1986, 1151), even if only in relations amongst themselves. Liberal states have been involved in numerous wars with nonliberal states; and liberalism may constitute a form of patriotism and crusading spirit against different others, generating violent conflicts. But if world history is moving towards a liberal democratic direction, and if wars among liberal states are highly unlikely, there is hope for perpetual peace. This idea gives hope for the liberals.

Doyle's definition of a liberal democratic state was broad, including social democracy and democratic socialism, but repeatedly the understanding of democracy has been much narrower, if not ethnocentric along the lines of "the United States is the premier democratic country of the modern world" (Huntington 1991, 29-30). Both the democratic peace hypothesis and various theoretical understandings supporting it have been key points of debate during the past two decades and into the 2010s. Following years of research and debate, the majority of IR and peace researchers agree that the empirical connection holds within the specified time-space frame (limited two waves of democratization since the late 18th century and a globally

more widespread third wave since the 1980s), although we are talking about a fairly high probability rather than a sufficient (not to speak of necessary) condition for the absence of war. The most important exception to the empirical rule are the many cases of US interventions – or covert measures – against democratic and popular regimes in the global south, continuing, even if in a somewhat new form, the logic of the 19th century liberal imperialism (Rosato 2003, 590-1; Doyle 2005, 465).

Tarak Barkawi and Mark Laffey (1999) argue that states participating in the “peace zone” have evolved as part of globalising social processes that are not only co-constitutive of their internal meanings and structures but connect their development and powers effectively to other parts of the world economy and its governance. In these globalising process, state capabilities, including their coercive powers, may come be (re-)organised internationally, transnationally or supranationally. What is more, the transformed states may be – or may come to appear as – less democratic than before, and thus become more easily redefined as enemies.

From this perspective, globalising processes, democracy and the political economy conditions for war and peace are interwoven in complex ways. While there may be no clear-cut underlying cause of both liberal democracy and peace, economic practices and the positioning of states in the changing worldwide division of labour condition possibilities for democracy (see Mousseau 2003; Mousseau, Hegre & Oneal 2003; Lees 2013). These kinds of arguments do not need to be reductionist. They leave ample room for other reasons for, and causes of, democracy and democratic values. They can also be made compatible with the apparent general trend of declining importance of war and violence in human society (Pinker 2011). What they imply, however, is that democracy in a globalized world cannot be thought in isolationist or stationary terms. The world is an open dynamic process within which its active and responsive parts such as states are enfolded. An implication is that political economy and our beliefs of it matter; and actors do not always know what what they do does.

The political economy dynamics of Russia vs the West

In Russia as well as in Ukraine, the initial private wealth distribution that resulted from the “shock therapy” and privatization of the state assets in the first half of the 1990s caused turmoil and counter-reactions. When the authoritarian and repressive Soviet system collapsed, the transformation was to a significant degree orchestrated by the neoliberal West; and authorised by Boris Yeltsin and his administration of economic liberals. Trade was opened and state’s price and currency controls were replaced by private property and self-regulating markets. Capital concentrated in the hands of those few who could command resources to buy ownership-shares, typically either nomenklatura members and other insiders, or former black market racketeers. Privatization and “shock therapy” resulted in rapid deindustrialization and 40%

decline of GDP; a vast jump of inequality and spread of mass poverty; and hyperinflation. For years property rights remained vague and contested. Those who came to be called “oligarchs” repeatedly found themselves in a state of war against other oligarchs, literally arming themselves against their rivals.⁵

It is plausible to claim that in established capitalist market societies inequalities of income and wealth among individuals and social classes tend to accumulate, although this is no iron law, but a mere open-systemic tendency. Thomas Piketty’s (2014) most important contention is that there is a tendency for $r > g$, where r is the average annual rate of return on capital and g is annual economic growth.⁶ In a typical historical process, past wealth seems to become increasingly important and inherited wealth grow faster than output and income. If this is combined with the inequality of returns on capital as a function of initial wealth, the result is an increasing concentration of capital. Moreover, this process is likely to lead to the accumulation of political privileges and hence de-democratisation (Patomäki 2014). The trend towards increasing inequalities is difficult to reverse. Historically, only major shocks, especially world wars, interwoven with processes of democratisation, have been sufficient for invoking progressive taxation and other causally efficacious measures to reduce inequalities (Piketty 2014, 18-20, 41, 141, 287, 471, 498-500; Piketty’s argument finds support in the history of modern taxation, Scheve & Stasavage 2016).

In most OECD countries the Pikettyan “law” seems to hold, as inequalities have been rising gradually in the past few decades, although not always in a linear manner or across all ways of measurement. In the second half of the 1990s, however, income inequalities declined in Russia, and Putin’s regime stabilized the socio-economic situation in the 2000s. This stabilization was widely supported by experts and citizens alike. While it was accompanied by a restoration of some state controls in the economy, Putin’s regime also made many entrepreneurial and capitalist activities easier. The rapid economic growth of the 2000s was aided by devaluation and the rise of the price of oil and other commodities in world markets. This growth has benefitted also ordinary citizens. In the 2010s, the income distribution of Russia is similar to countries such as US, China and Mexico. In Ukraine, the Gini index has

⁵ Jeffrey Sachs (2012) legitimizes *ex post* his approach to drastic market-based economic transformations as follows: “I am very proud for what I was able to do, and of my integrity and perseverance in the face of arduous obstacles. Bolivia and Poland achieved historic gains, and I certainly helped in that. Russia, alas, did much more poorly than I had hoped. This note tries to account for that shortfall in the outcomes of Russia’s early reforms.” Later Sachs continues: “Dismantling the Soviet-era system seemed to be a mission of great moral rightness. I certainly hoped, and rather expected, that Russia would feel a wave of elation at the new freedom. In this I was somewhat mistaken. The period of elation was remarkably short, and the period of political civility was even shorter.”

⁶ There are no universal laws in society, and this applies also to the tendency for $r > g$ in capitalist market society. For instance, global Keynesianism aims to regulate global interdependencies to produce stable and high levels of growth, employment, and welfare for everyone and everywhere, simultaneously. To put it in Pikettian terms, a well-working global Keynesian system could make a big difference in terms of whether $r > g$ or $g > r$. Note also that there has been a lot of criticism about Piketty’s definitions of basic terms such as capital and annual rate of return on capital. For discussions on Piketty, see Fullbrook and Morgan (2014; especially chs by Galbraith, Varoufakis and Fullbrook).

been, and remains, lower, but the concentration of wealth has been even more skewed than in Russia.⁷

The changes from 1995 to early 2000s came with ideological rethinking in Russia. Already Yeltsin concluded in 1997 that “in order to make the transition to stable economic growth, economic freedom alone is insufficient. We need a new economic order. And for this, strong and intelligent power is needed and a strong state.” The modernisers (*zapadniks*) of the 1990s started to advocate state-authoritarianism.⁸ During Yeltsin’s era in the 1990s, however, relations among oligarchs and various factions within Russia continued to be intensely antagonistic. The party that after Yeltsin assumed control was named “United Russia” (at first simply “Unity”, its main competitor then being “Fatherland - All Russia”). For nearly two decades, its head figure has been Vladimir Putin, although other politicians such as Sergey Shoygu, Boris Gryzlov and Dmitry Medvedev have also chaired the party. The consolidation of Putin’s power in the early years involved a ‘grand bargain’ with the oligarchs and state-sanctions on anyone whose wealth and influence could challenge the Kremlin.

Shifts in relations of power shape the selection of dominant beliefs, narratives and discourses. Nationalism warrants unity and strong state. The subsequent move towards nationalism in Russia has been articulated within the existing liberal constitution of 1993 and, internationally, in terms of great power pluralism and power-balancing. Many liberals were disappointed with the Western policies toward Russia and especially with the NATO enlargement.⁹ Universalising Western liberalism came to be widely perceived as one-sided and skewed toward particular interests and values. Consequently, the Western models of democracy and free markets have been reconsidered by taking into account the specific circumstances, problems and aspirations of Russia. These reconsiderations includes a Listian concern with Russia’s place in the international division of labour. The standard line is that a strong state is required to benefit from Russia’s natural resources; to further develop space and military technologies; and for diversifying the industrial basis.¹⁰ Over time

⁷ Growth and Gini-index figures from World Bank data, available at <http://data.worldbank.org/>.

⁸ As we reported first hand, based on a large number of interviews in Moscow, Little Novgorod and St. Petersburg, in Patomäki & Pursiainen 1998.

⁹ In the 1990s, the EU and its expansion was taken much less seriously in Russia. The EU was mostly viewed only as a trading partner and a rather technical arrangement for furthering trade, markets and economic interests. Knowledge about the EU was limited, except among those few (especially in St.Petersburg) who viewed the EU rather favourably. The potential for conflict between the EU and Russia existed already in the 1990s, however. The historically evolving inner dispositions and characters of the EU represented the standard universalising, Western liberalism in the areas of human rights and democracy; and neoliberalism in economic policy, good governance and other areas. Patomäki 1996.

¹⁰ In the 1990s, A.S. Panarin was perhaps the most articulate theorist of the Eurasianist line. Panarin stressed the politico-economic importance of the military/space-industrial complex. This became part of the official policy of Russia in the 2000s. The United Russia party and Russian state have become ever closer to Panarin’s ideas over time. For instance, Panarin used to complain about the exclusionary politico-economic practices of the West. Only a chosen minority is allowed to reach the post-industrial stage of society. Russia is not among them. Panarin also argued that the West accepts and respects multiculturalism in the world – but only at the level of the “culturological knowledge”. In the

this line has become stronger. Western liberal universalism is wrong. The world is characterized by a plurality of different values. Russian role in the world is to preserve value pluralism and protect the particular interests of the Slavic-Orthodox world – by force, if there is no better alternative. (See e.g. Kuchins & Zevelev 2012)

After Yeltsin, Russian leadership has been progressively ever more determined to draw a line especially at NATO but also at EU expansion.¹¹ This is connected to a particular interpretation of political changes not only in the former Soviet Union but also in the Balkans during the early 2000s. Already the Kosovan war in 1998-99 – occurring in the aftermath of the Asian financial crisis of 1997-98 that hit Russia hard – constituted a turning point in Russian politics. Since 2000, the Russian state-leaders have been predisposed to interpret the so called colour revolutions in Serbia, Georgia, Ukraine and elsewhere as a deliberate strategic means of the US and European expansion eastwards. In the words of Foreign Minister Sergei Lavrov: “The US and Europe use the ‘Color Revolution’ to serve their own interests, impose their own values, and end in creating new global tensions” (Cordesman 2014).

The precise extent to which uprisings in the early 2000s in Serbia, Georgia, Ukraine and elsewhere were in fact supported, encouraged, funded or even systematically planned by the US and the EU (or its member states) remains disputed. What we know for sure is that the securitisation of these uprisings on the Russian side have triggered at times rather exceptional countermeasures,¹² which in turn have led to unintended counterproductive effects, not least in Georgia and Ukraine (Delcour & Wolczuk 2015). In this process of step-by-step escalation of conflict, the universalising inner grammar Western neoliberalism – manifesting itself through

form of foreign policy expansion, instead, the West appears as an authoritarian structure reacting aggressively every time it collides with non-Western nations insisting upon their own national values. Therefore, civilizational pluralism and a creative dialogue of world cultures is possible only in a multipolar world, where the West does not have hegemony. “The mission of Russia is to further multipolarity by creating a counterbalance to the monocentrism rooted in the power of the United States.” These ideas are accompanied by systematic criticism of the Western culture, not only in terms of its materialism and lack of spirituality, but also in terms of its internal dynamic towards a new kind of an “irresponsible, hedonistic individualism” and postmodernism that involves a “neofreudian proletariat”, “revolting against the Father”, thereby destroying the common, shared civil society by breaking up “the political nation”. For a discussion on Panarin’s ideas, see Patomäki & Pursiainen 1998, 24-32; 1999, 68-73.

¹¹ There is a long-standing dispute about whether NATO’s expansion into Eastern Europe violated commitments made during the negotiations over German reunification. Russian leaders have accused the West of breaking promises made after the fall of the Iron Curtain. *Der Spiegel* argued in 2009 that ‘newly discovered documents from Western archives support the Russian position’. For a discussion of these documents, see Klußmann et.al. (2009).

¹² Already before the 2007-2008 elections, there was much public talk in Russia about the danger of a ‘colour revolution’. Academic analysts have been torn between two different interpretations. Some argue that securitization has served Putin’s regime in domestic politics; whereas others think that the anxiety of leading Russian politicians is genuine. Duncan (2014) concludes his analysis of 2007-8 that ‘fear of a coloured revolution was, it seems, not fabricated with the intention of being used instrumentally to preserve the regime’. The fear seems genuine, but do the dominant beliefs in Russia conflate concerns about ruling elite’s position and the interests of society at large? While a nuanced answer to this question lies beyond the scope of my paper, it is worth noting that White & McAllister (2014) consider the possibility that Russia only scarcely avoided a ‘Facebook Revolution’ in 2011. Given Putin’s popularity in Russia, a ‘revolution’ in 2011 was unlikely. Yet a new phase in securitization was reached in 2013-14. Since Ukraine’s EuroMaidan, Russia has framed mass anti-regime protests at home and abroad as a military threat. (Bouchet 2016)

various free market arrangements, neighbourhood policies, and programmes of democracy- and human rights promotion – have come to be contested and geopoliticized, even though Russia itself combines elements of state capitalism and neoliberalism in its economic policies and institutional arrangements.

It is evident that many corporate and state actors benefit (or would benefit) from an easy or privileged access to raw materials, cheap labour, industrial capacity or markets in the Eastern Europe, former Soviet Union, and the Balkans. Constructivists are right, however, in stressing that interests are not separate from beliefs but constituted by them (Wendt 1999, 119-38). Interest-constituting beliefs are frequently disputed. For instance, EU's democracy-promotion is built on the neoliberal model of market society. It allows for some pluralism and exploration of extra-liberal ideas, and this is what civil society actors often do. And yet, there are reasons why "all such ideas are swiftly returned to the magnetic field of (embedded neo)liberal core assumptions" (Kurki 2012, 172). Particular beliefs may come to be selected and pushed because they accord with the already-constituted powerful interests. Yet political economy explanations are not reductionistic. They take the concept-dependency of social beings seriously. Interests are only moments in social processes.

The political economy dynamics of the Ukrainian conflict and war

The Ukrainian conflict has been entangled with NATO and EU expansion eastwards and with Russia's and Ukraine's positioning in the world economy (the economy of the Eastern part of Ukraine is entangled with Russia, whereas the Western part is geared towards the EU). The violence in Ukraine started in 2014. It was preceded by the 'colour revolution' of 2004-5; but pivotally, it was precipitated by a global financial crisis of 2008-9. The worldwide process of financialization had deepened cycles of boom and bust and made them synchronized across the world. The financial crisis of 2008-9 was the most serious crisis of the world economy since the Great Depression and World War II. (See Patomäki 2010) As a result of the crisis, Ukrainian GDP collapsed by almost 15% in 2009, ending a decade of economic growth and poverty-reduction. Following a short-lived, half-way recovery in 2010-11, the economic downturn continued. Soon Ukraine faced a situation of mounting debt and rapid loss of currency reserves. Current account in Ukraine reached a record low of -6 USD billion in the third quarter of 2013. At the same time, foreign currency reserves were rapidly approaching an all-time record low of 5 USD billion.

European and North-American lenders started to assume, or directly demand, austerity. The problem is that, as (post-)Keynesians argue, austerity and financial problems easily become self-perpetuating and translate into high levels of unemployment, uncertainties, and economic troubles of everyday life. A further problem is that unemployment and economic uncertainties can aggravate social

antagonisms. Unemployment is an issue of existential security and thus creates room for securitization of political issues; this applies to socio-economic uncertainty more generally.¹³ In the Ukrainian context, economic hardship is also easy to associate with corruption and concentration of wealth, and thus with anti-elite hatred.

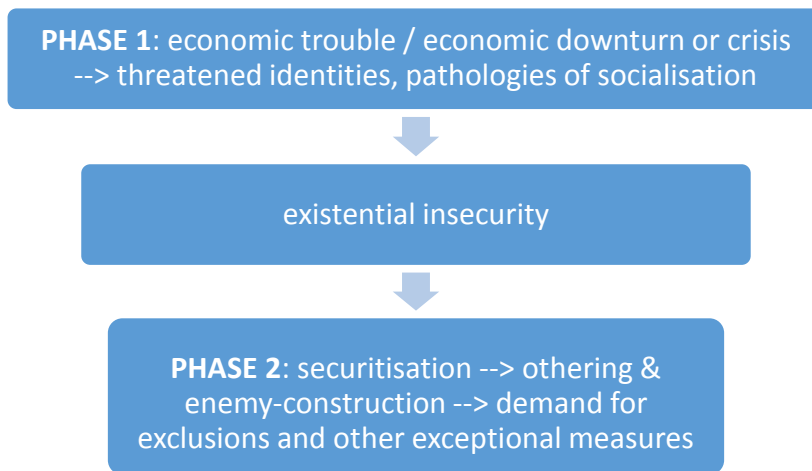
In functionally differentiated capitalist market societies, economic problems can become threatening to identity (because not only one's earnings but also social worth, rights and duties are tied to a position as an employee, entrepreneur or capitalist) and endanger social integration (because many integrative functions are secured by market-based or tax-revenue dependent public organizations). (Habermas 1988, 20-31) Problems of social integration and a threatened identity tend to translate into existential insecurity, providing fertile ground for processes such as securitisation of social issues and telling Manichean stories antagonising the situation.¹⁴ Actors can bring about securitization by presenting something as an existential threat and by dramatizing an issue as having absolute or very strong priority. Securitization is also about identity politics, as is Manichean story-telling about struggle between good (us) and evil (specific or generic others). Thus emerges a hypothesis about a two-phase causal mechanism, efficacious in contemporary geo-historical context.

The two phases of the mechanism described in Figure 1 are connected causally, but at the level of meanings, they can be largely disconnected. The category 'economic trouble and crisis' involve both subjective experience (trouble) and systemic effects (downturn and crisis). Thus unemployment or its threat, precarisation of work (meaning transformation from permanent employment to less well paid and more insecure jobs) and falling behind due to increasing inequalities, can all translate into 'trouble' from the point of view of those experiencing the hardship.

¹³ The unemployment rate rose to about 10% by early 2014. Unemployment has never been the most important source of poverty in independent Ukraine. Thus the situation is somewhat different from what is considered 'normal' in the OECD world. On the other hand, in 2015-16 the unemployment benefit is only about 50 USD per month. Although the insecurities related to the threat of unemployment are never just economic but also moral and social, this aggravates the treat of unemployment. In terms of GDP growth, there was a half-way recovery of the Ukrainian economy in 2010-11, but from 2012 to 2015 Ukraine's GDP contracted again first modestly and then sharply. These developments preceded the political crisis associated with the demonstrations and riots of late 2013 and early 2014. By the end of 2015 the GDP of Ukraine had contracted back to the 2005 level. (World Bank data available at <http://data.worldbank.org/indicator/NY.GDP.MKTP.CD>). The anticipated growth rate for 2016 is somewhere between 0.0-1.0%.

¹⁴ Guzzini (2012) examines securitization as a non-positivistically conceived causal mechanism. For a related but more future-oriented analysis, making an explicit link between political economy and security, see Patomäki (2015). Aho (1990) remains one of the best summaries of the deep-structural and characteristically Manichean underpinnings of the processes of enemy-construction, based partly on his studies of right-wing extremist movements in the United States.

Figure 1: A two-phase causal mechanism leading to other-blaming



Social class positioning matters morally (Sayer 2009), as well as by predisposing actors to particular forms of learning and by generating characteristic (dis)trust to established institutions. Pathologies of socialisation and existential insecurity can expose ‘ego’ to securitisation and to stories that are composed from older, or transnationally dispersing, elements of meaning, apparently ‘explaining’ the experiences of vulnerability and insecurity. Commercial and social media play a key role in the dispersion of these kinds of ideas, especially to the extent that they can sustain positive feedback loops and thus generate self-reinforcing processes. Violence dramatically exposed in the media can further inflame the process of othering. To share related sentiments of ‘us’ vs. ‘them’ can also be cherished as democratic; as being on the side of the ‘people’. A further problem is that within a given context, there may be many ‘peoples’, conceived in terms of ethnic belonging or nations.

The Euromaidan protests started in November 2013, when the Ukrainian president Viktor Yanukovich began shying away from an association agreement that had been negotiated with the EU. Instead, he chose closer ties with Russia. The EU had offered a relatively small loan, with conditions similar to the austerity conditions imposed by the Troika upon the euro crisis countries.¹⁵ Criticism of those conditions fed into the East-West and other divides in Ukrainian political economy and society. In February

¹⁵ The rescue packages devised for the euro crisis countries by the EU and the International Monetary Fund – following the model imposed earlier on many developing countries – obliged the recipient governments to impose public spending cuts in order to stem further deficit increases. But this tends to depress the economy. The tax reductions to private firms that the packages also typically include increase the state burden even more, by reducing tax revenue. These packages also impose retrenchment on public services and distribution policies, wage and pension cuts; and impel changing labour laws under the euphemism of ‘flexibility’ or ‘flexicurity’ – typically, also implying wage cuts, thereby lessening citizens’ purchasing power and even further reducing the overall effective demand in the economy. Patomäki (2013, ch.4, ‘Contradictions at the heart of the EMU’).

2014, Ukraine appeared to be on the brink of civil war, as violent clashes between protesters and special police forces led to many deaths and injuries. Yanukovich escaped to Russia. He was removed from office by the parliament of Ukraine in a manner that violated the then-current constitution. After Yanukovich was ousted in 2014, or fled, depending on one's perspective, an Association Agreement was signed with the EU, with extensive political, economic and legal content. The Agreement includes a Deep and Comprehensive Free Trade Area (DCFTA).

In March 2014, in response to the illegal ousting of Yanukovich, the Supreme Council of Crimea organized a referendum in Crimea. The majority of Crimean people seemed to favour joining Russia, although reliable figures are uncertain. Hastily Russia made Crimea a part of Russian federation, irrespective of international law (arguing, however, that the unilateral Kosovo declaration of independence in 2008 had set a precedent). At this time, pro-Russian movements, involving Russian citizens, were protesting against Kiev in Eastern and Southern parts of Ukraine. In the East the situation soon escalated into an armed conflict between the separatist militia supported by Russia and the new Ukrainian government. The war in Donbass started in April 2014 and continues as a low intensity conflict in 2016.

EU's overall role in destabilizing Russia-West relations and Ukraine

The EU, and the West more generally, has taken for granted the universal validity of neoliberal free markets and democracy in their policies vis-à-vis Russia, the CIS countries and Eastern Europe. The EU has been externalising its inner dispositions and characters. This externalization has constituted the essence of its expansion and neighbourhood policy. At the heart of the overall on-going process is a peace project that consists of two closely related parts: liberal-capitalist peace and liberal-democratic peace. The same inner meanings and dispositions have also been shaping the world economy and its governance ("when the US and EC can agree on which direction global regulatory change should take, that is usually the direction it does take"; Braithwaite & Drahos 2000). Global governance has involved free trade in its various expanding manifestations, the protection of (Western) multinational corporations and their investments, and ever deeper progression of financialization.

Hence, the EU has been trying to impose a particular international or global purpose (cf. Ashley 1989). The conflict between Russia and the West is a result of an interplay between causal, constitutive and (de)legitimizing effects of this purpose, which can also be understood as a world order model (Biersteker 2014). At the end of the Cold War and at the time of the collapse of the Soviet Union, this purpose was widely accepted in Russia, but only for a short while. The politico-economic effects and failure of the "shock therapy" led to reassessments and revisions, as did the tendency of the US and EU member states to use military force to impose their

preferred world order model onto different parts of the world, often apparently in contradiction with international law. The Putin regime has resorted to a pluralist idea, articulated in terms of theories and practices of power balancing, emphasising the importance of regions and regional interests. With the on-going expansion of the EU and NATO towards Russia, Russia has been increasingly concerned about drawing a line. Moreover, the Russian government has tended to see “colour revolutions” as a key means of this expansion, and has thus securitised the internal developments of countries such as Ukraine. Thereby the universalising neoliberal orientation of EU’s external relations and expansion has come to be contested and geo-politicised. The EU in turn, and the West more generally, finds Russia’s line unacceptable, because it would seem to imply a return to the 19th/early 20th century style power politics.

The inner meanings and dispositions of the EU are closely connected to the basic rules and principles of the evolving global political economy. These rules and principles embody structures of human learning that co-generate the causal processes through which the forms and parts of the whole are being determined. Meanings and disposition have real causal effects by constituting social practices and institutions, which in turn form complex politico-economic mechanisms, also through unintended effects of actions. Various effects tend to reinforce each other, involving positive feedback loops and cumulative causation. Thus the global financial crisis of 2008-9 – made possible by the long process of financialization – aggravated the contradiction and related messy conflicts revolving around Ukraine and its internal divisions. The aggravation was largely a result from the combination of acute financial crisis of the Ukrainian state and the two-phase causal mechanism of Figure 1.

Effects of sanctions on Russia

Following the annexation of Crimea in March 2014 and beginning of the war in Eastern Ukraine, the West has imposed rounds of sanctions upon Russia, to which Russia has tried to respond in kind. In the academic field of International Relations, a fair amount of research on the real effects of economic sanctions has been published. A general conclusion is that if the idea is to bring about a desired policy change, the effects of sanctions are complex, unpredictable, and quite often counterproductive (Jones 2015). Even those optimists, who believe that “our understanding of economic sanctions has progressed significantly over the past three decades” (Morgan 2015, 744), admit the manifold conditions and contributing factors that successful sanctions have. It may thus be contended, typically, that costly, multilateral and effective embargoes against small developing countries work better than other sanctions, but there are many well-known counter-examples from Cuba to Myanmar.

Sanctions can impoverish countries (Joy 2016), increase inequalities (Afesorgbor & Mahadevan 2016), and kill people in need of adequate care and medication (Shahabi

et.al. 2015). Thus sanctions in themselves constitute a form of violence (cf. Galtung 1969). While sanctions may at times may also contribute to (possibly democratic) regime and leadership change (von Soest & Wahlman 2015), most research has concluded that sanctions are either ineffective or have a negative impact on the level of democracy in the targeted authoritarian countries (e.g. Peksen & Drury 2010). This should come as no surprise if it is acknowledged that sanction often result in rallying around the flag, while they may also trigger increased repression. We also know that economic troubles can further securitisation and enemy-construction. Moreover, the more comprehensive the sanctions, the greater the incentive to violate them.

These and other criticisms of economic sanctions – especially concerning the extensive sanctions that were imposed against Iraq before 2003 – have led to the more restrictive idea of “targeted sanctions”, which is also the principal approach of the sanctions against Russia. The idea is that targeted sanctions aim directly at elite interests and specific individuals so as to limit their humanitarian impact. They can include financial sanctions, travel bans, restrictions on luxury goods imports, and arms embargoes, specifically targeting individuals, corporations, or holding companies associated with the target government’s leadership. A problem is that in our interdependent world, extensive financial sanctions can have as harmful humanitarian consequences as trade and other sanctions (Drezner 2015).

In situations where sanctions seem to have worked, the effects are usually relatively difficult to disentangle from the effects of other developments. Recently, Iran concluded an agreement on its nuclear facilities with the West. It appears that sanctions did play a role; but also in this case it is difficult to disentangle the role of sanctions from other causes, such as developments in Iranian domestic politics and economy and *altercasting* (shaping the Other’s perception of one’s own identity and interests). It is plausible to argue that international sanctions against Iran were a contributing but not a sufficient cause in bringing about the end result. Without compromise and responsiveness from both parties, the process would have developed differently, probably resulting in a non-cooperative outcome. (Hafner 2015)

What, then, is the likely impact of Western sanctions on Russia? So far the sanctions have exacerbated the effects of low oil-prices and other economic difficulties. Growth declined to 0.7% in 2014 and -3.7% in 2015. In the first quarter of 2016, GDP contracted by 1.2 percent year-on-year, significantly less than the -3.8 percent in the fourth quarter of 2015.¹⁶ In contrast to stereotypical authoritarian rulers, Putin and other Russian state-leaders have been elected in multiparty elections and remain popular. Bloomberg reports in May 2016 that Putin’s approval rating is down — to

¹⁶ World Bank data, available at <http://data.worldbank.org/>. The figure for the first quarter of 2016 is from the July 2016 issue of World Bank’s “Russia monthly economic developments”, available at <http://www.worldbank.org/en/country/russia/brief/monthly-economic-developments>.

80%.¹⁷ In response to the sanctions, Russia has been trying to further strengthen relations with Asian countries, and its relationship with the East has continued to deepen. “In experiencing Western hostility but Eastern friendliness, Russia mitigates the damage caused by the sanctions.” (Wang 2015, 1) The EU has been the biggest trading partner of Russia. Since the imposition of the sanctions, EU-Russia trade has declined rapidly whereas trade with China is expanding. The EU accounted for 52.3% of all foreign Russian trade in 2008. This share was down to 44.8% in 2015, and declining. Some parts of the EU have been significantly impacted by the EU sanctions and Russian countersanctions, such as Finland (Finnish exports in goods to Russia have nearly halved since 2012, with notable macroeconomic effects).

Sanctions are considered hostile in Russia; most Russians are against sanctions. As a result of the sanctions, Russia is disintegrating from European interactions and processes and becoming more dependent on Chinese and Asian developments. No-one seems to be expecting a return of the Crimean to Ukraine. Under these circumstances, the Western sanctions against Russia are first and foremost a factor in the mutual process of conflict escalation. This escalation has gone so far that it has become commonplace to anticipate a war with Russia (e.g. Shirreff 2016) – in spite of major asymmetries. Together the US-EU population is sixfold the population of Russia; and they spend ten times more on the military than Russia.

In the light of evidence, do EU’s (and US’s) sanctions against Russia appear justified, in spite of the obvious risks and costs? The strongest rational argument for sanctions is in fact quite weak: “something had to be done because Russia violated international law; but we know that sanctions don’t usually work and, moreover, they also involve major risks”. This argument implies, however, that it is wrong for all parties to destabilize countries and their governments; not to speak of intervening in their developments militarily without UN authorisation. These kinds of principles should apply to the US and EU and its member states as well.

Conclusions: the role of the absence of adequate global institutions

The EU continues to promote increasingly counterproductive ideas as universally valid, even though those ideas have led to disintegrative tendencies also within the Union itself.¹⁸ Opposed to the (neo)liberal universalism, which has frequently led to a recourse to double standards for instance in the use of military force, Russia is advocating pluralism in terms of classical power-balancing world order model.

¹⁷ “Putin’s Approval Rating Is Down—to 80%”, Bloomberg 26 May 2016, <http://www.bloomberg.com/news/articles/2016-05-26/putin-s-approval-rating-is-down-to-80>.

¹⁸ See the Special Forum on Brexit, edited by Jamie Morgan and Heikki Patomäki, to be available by mid-September 2016 at *Globalizations*-site at <http://www.tandfonline.com/toc/rglo20/current>.

Global realities are contradictory also in the sense that there are incompatible interpretative perspectives and purposes, on the whole disregarding shared understandings and underlying identity.¹⁹ At the same time, the evolvement of neoliberal global political economy has shaped processes of economic growth resulting in inequalities, imbalances and uneven developments as well as in amplification of oscillations in the amount of economic activity.

The problem is thus twofold: (i) how to better understand pluralism/universalism and (ii) how to govern world economy to counter its conflict-generating tendencies? The first golden rule of diplomacy is that one should always grasp how things look from the point of view of others (Morgenthau 1948, 440). What is lost when double standards are practiced or used as a pretext, and when enemies are being socially constructed, is the ethico-political ability to see things from others' perspective. To counteract these tendencies we should think about the possibility of a 21st century version of the Helsinki process, based on dialogue, confidence-building measures and new, pluralistic politico-economic processes that may yield partly unexpected results.

From within the EU, assuming that "we" are participants in EU-processes, we should aim at pluralising the external policies of the EU. The EU should be capable of not only recognizing and accepting but also explicitly cultivating differences. These differences may concern both ethical and political differences per se, but also different understandings of the politico-economic conditions of development and progress. Given the constitutive relationship between EU's internal economic policies and its economic neighbourhood polities, however, this seems to require major transformations of the EU itself. The current and failed free market utopia should be replaced by global (post)Keynesian and socially responsible economic policies, increasing rather than decreasing autonomy of various parts of the whole.

From a global perspective, what we should be aiming at is a pluralistic security community (see Deutsch et.al. 1957; Lijphart 1981; Adler & Barnett 1998; Patomäki 2002, ch 8). A security community is defined by the mutually shared understanding that there is an institutionalised capacity to resolve social conflicts by means of peaceful changes. One indication is that actors do not prepare for the use of violence against others, but this as much an effect as a cause. What really matters is that actors do expect peaceful changes to be possible. This means that things do not have to stand as they are now; status quo is not a norm to be accepted without questioning.

¹⁹ "The difficulty which mankind experiences and which it is able to solve only very gradually and very slowly is one of achieving a conceptualisation of the self that will permit that reciprocity to emerge as something more than a kind of appendage to an already fully constituted self. The crucial insight on which Hegel's position rests has to do with interdependence of our concept of the self and our concept of the other and it involves the claim that these conceptions move forward *pari passu* until they reach a point at which an underlying identity of the one with other is grasped." (Olafson 1979, 241)

There is also no point in just condemning one or the other side of violent conflicts. The EU-Russia conflict is a tragedy, where neither side wants the outcome, “but at the same time both have been unable to alter the policies that have contributed to the problem in the first place” (Forsberg & Haukkala 2016, 1, also 226). Moving towards thinking about constructive steps forward, there are alternatives to pluralism maintained by multipolarity in a *realpolitik* world of regional great powers. Global democracy can provide better ways to tackle the concerns of Russian nationalists and Eurasianists, and other pluralists. Democracy is a process whereby conflicts are resolved by peaceful means, and whereby different understandings and purposes are not only accepted but also cultivated. The problem lies in the implicit fundamentalisms of many political ideologies, (neo)liberalism included – it is not easy to accept and live up to the ethos of critical responsiveness. (Connolly 1995)

Democracy and security community are closely connected, although their relationship is complex and at times ambiguous. These considerations point toward cosmopolitan democracy understood as a process rather than a model. (See Patomäki 2003; for a dialogue focussing on the question of pluralism, see Held & Patomäki 2006). Overcoming false universalisms *and* double standards would require new global institutional frameworks of dialogue and cooperation, based on the principles of pluralism and comprehensive accountability. The latter should stem from a global rule of law and not allow double standards for the powerful.

Peace requires global democratisation and pluralization, especially in the governance of the world economy. The neoliberal era is drawing to a close, but whether the transformation to a new era will take a global military disaster remains to be seen.

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